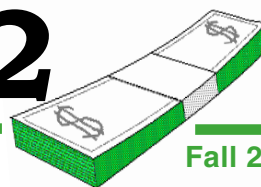


Open
Enrollment
News

Tax\$ave 2012



Fall 2011

Published Annually for New Jersey State Employees

Enroll in Tax\$ave and Keep More of What You Earn

The **Tax\$ave 2012 Open Enrollment** period begins on **October 1, 2011** and ends on **October 31, 2011**. Tax\$ave Open Enrollment is your opportunity to save tax dollars in the 2012 tax year with the **Premium Option Plan** and two **Flexible Spending Accounts (FSAs)** for **Unreimbursed Medical Expenses** and **Dependent Care Expenses**.

Enrollment in the **Premium Option Plan** component of Tax\$ave is automatic every year. The **Flexible Spending Accounts** require that you re-enroll each year with Fringe Benefits Management Company, a Division of WageWorks. There are a variety of easy ways to enroll in a FSA plan.

- ✓ You may enroll over the phone by calling the Interactive Voice Response system at 1-866-440-7150 between October 1 – October 31, 2011.
- ✓ You may enroll over the Internet during the same time period at: www.myFBMC.com
- ✓ You can enroll by obtaining an *Enrollment Form* from your benefits administrator or from the Tax\$ave Web page at: www.state.nj.us/treasury/pensions/taxsave.shtml. The form must be postmarked or faxed to 1-866-672-4780 by October 31, 2011, in order to enroll for the 2012 plan year.

For more information about the Tax\$ave plans, see the *Premium Option Plan* and the *Flexible Spending Accounts* fliers which are available online at the Tax\$ave Web page: www.state.nj.us/treasury/pensions/taxsave.shtml

Save Taxes on Health Care Contribution with the POP

Health care contributions or premiums required from most State employees for medical and prescription drug coverage under the SHBP are eligible for payment with before tax dollars when you are enrolled in the Tax\$ave **Premium Option Plan (POP)**. This reduces the federal income, Medicare, and Social Security taxes you would otherwise pay on these amounts.

State employees covered under labor agreements that retain earlier Premium Sharing arrangements are also eligible for the POP and can reduce federal income, Medicare, and Social Security taxes paid on the shared premiums.

Enrollment in the POP is automatic every year for all eligible State employees — unlike the Flexible Spending Accounts which require that you re-enroll each year.

FSA Eligible Expense and Claim Periods

The period for which expenses are considered eligible for reimbursement for **BOTH** the **Unreimbursed Medical** and **Dependent Care FSAs** extends until March 15 of the following year. The deadline for submitting claim forms for a particular plan year extends to April 30 of the following year.

- ✓ **For Tax\$ave 2011 members**, eligible FSA expenses may be incurred until March 15, 2012, and claims must be filed **no later than April 30, 2012**.
- ✓ **For Tax\$ave 2012 members**, eligible FSA expenses may be incurred between January 1, 2012 and March 15, 2013, and claims must be filed **no later than April 30, 2013**.

Important Notice: Under the IRS guidelines for Unreimbursed Medical and Dependent Care Flexible Spending Accounts, any contributions that remain unclaimed after the April 30 deadlines are forfeited by the plan participants.

Commuter Tax\$ave Program

Tax savings on commuter mass transit and parking expenses are available anytime of the year as a separate benefit to State employees under the **Commuter Tax\$ave Program**, administered by TransitCenter, Inc. See Fact Sheet #67, *Commuter Tax\$ave Program*, or contact TransitCenter at 1-877-440-4407 for details.

Medical FSA Maximum Allowance \$2,500

The maximum annual allowance that can be set aside for a Tax\$ave **Unreimbursed Medical FSA** is **\$2,500** for the 2012 plan year. You can save federal income, Medicare and Social Security taxes on up to \$2,500 of unreimbursed medical expenses and up to \$5,000 on dependent care expenses. Enrolling in a Tax\$ave FSA makes sense when paying for doctor visit and prescription drug copayments, health plan deductibles, orthodontics, eyeglasses, Lasik surgery, many uncovered dental fees, or certain over-the-counter items (see article below). To enroll in either or both of the FSA plans, visit: www.myFBMC.com or call the Fringe Benefits Management Company, a Division of WageWorks, Interactive Voice Response system at 1-866-440-7150.

myFBMC Card® Available with Medical FSAs

Tax\$ave **Unreimbursed Medical FSAs** include the *myFBMC Card*® Visa® Card that draws on the value of your annual Medical FSA election amount. The *myFBMC Card* is included **free** when you sign up with Fringe Benefits Management Company, a Division of WageWorks, for the Unreimbursed Medical FSA during Open Enrollment.

Using the *myFBMC Card* is easy because funds are immediately transferred from your Unreimbursed Medical FSA at the time you incur a qualifying expense; improving your cash flow because you don't have to lay out cash at the time of purchase. You can use the *myFBMC Card* at approved providers and merchants for qualifying expenses such as covered prescription copayments, health plan deductibles, orthodontics, doctor and emergency room copayments, eyeglasses, Lasik surgery, and uncovered dentist or other provider fees. The *myFBMC Card* can also be used for *certain* eligible over-the-counter medical expenses at certified IAS merchants (see article below about changes to over-the-counter purchases).

The *myFBMC Card* contains a "look back" feature that will access any unused 2011 Unreimbursed Medical FSA funds before using funds contributed in the 2012 plan year to reimburse eligible expense incurred prior to March 15, 2012.

Most Over-the-Counter Drugs and Medications Require a Prescription for FSA Reimbursement

The federal Patient Protection and Affordable Care Act (PPACA), requires you to **obtain a prescription** for any eligible Over-the-Counter (OTC) drug or medicine (except diabetic supplies) before it will qualify for reimbursement. This includes OTC items like: allergy drugs, pain relievers, cold and cough medicines, sleep aids, digestive aids, anti-gas medications, baby rash creams, and insect bite treatments.

If you wish to continue to be reimbursed for these types of OTC items using your **Unreimbursed Medical FSA**, you must submit your doctor's prescription along with your *Claim Form* to Fringe Benefits Management Company, a Division of WageWorks (any eligible item requiring a prescription may be purchased using the *myFBMC Card*® if the prescription is used to purchase it).

OTC items like eyeglasses, wrist splints, and bandages, as well as durable medical items such as crutches and canes will continue to be reimbursed without a prescription.

Direct Deposit Available for FSA Payments

Fringe Benefits Management Company, a Division of WageWork, offers direct deposit of reimbursement payments from your **Medical** or **Dependent Care Flexible Spending Accounts**. The *Direct Deposit Enrollment Form* is available at: www.myFBMC.com or by calling Customer Service at 1-800-342-8017. Processing of Direct Deposit enrollment may take between four to six weeks.

Pennsylvania State Non-taxability

If you live in **Pennsylvania**, contributions to your **Unreimbursed Medical FSA*** are exempt from Pennsylvania state income tax. This means that you save money on both your federal **and** Pennsylvania state taxes. It's one more reason or Pennsylvania residents to sign up for an Unreimbursed Medical FSA during the Tax\$ave Open Enrollment.

*Dependent Care FSAs are subject to Pennsylvania state income tax but remain exempt from federal tax.

Open Enrollment

Begin Planning Now

The State of New Jersey's Tax\$ave Open Enrollment is about to begin, are you prepared? Now is a great time to get ready by deciding which benefits to enroll in. While preparing, here are a few tips to help you:

- ▶ Your Tax\$ave enrollment period for Plan Year 2012 is October 1, 2011, through October 31, 2011.
- ▶ **You must re-enroll to continue your benefits, even if you are not making any changes!**
- ▶ Enrollment will be available:
 - **Online at www.myFBMC.com,**
 - **Over the phone** through the Interactive Voice Response* (IVR) system by calling 1-866-440-7150,
 - **Or by faxing or mailing** an Enrollment Form by October 31, 2011, to:
Fax to: 1-866-672-4780
Mail to: Fringe Benefits Management Company, a Division of WageWorks
Enrollment Processing
P.O. Box 1878
Tallahassee, FL 32302-1878
- ▶ Your Adult Child(ren) is eligible for health care coverage until the end of the year in which the child(ren) turns age 26. Coverage applies whether or not the adult child(ren) is married or a student.

For more information visit the Fringe Benefits Management Company, a Division of WageWorks, website at www.myFBMC.com or contact Customer Care at 1-800-342-8017.

**Note: To access the IVR system, the last four digits of your Social Security number (SSN) will be your first PIN. After your initial login, you will be asked to change this PIN for access in the future. Your new PIN cannot be the last four digits of your SSN, cannot be longer than eight digits and must be greater than zero.*

The current plan year ends December 31, 2011. A "grace period" of two months and 15 days (March 15, 2012) is available after this to incur eligible Unreimbursed Medical and Dependent Care FSA expenses. Unused funds remaining in your account cannot be refunded or rolled-over to your 2012 Plan Year FSA.

You also have a "run-out period," ending April 30, 2012, allowing you to file claims incurred anytime during the 2011 Plan Year. This includes claims incurred during the grace period mentioned above.

Example: You have \$800 in your Plan Year 2011 Unreimbursed Medical Expense FSA on December 31, 2011, and put \$1000 into your Plan Year 2012 Unreimbursed Medical Expense FSA. You purchase eyeglasses for \$875 on January 2, 2012, using your myFBMC Card® to pay. The \$800 balance from 2011 will be reduced to zero and the 2012 balance will be reduced to \$925. Remember: If you have qualified expenses that you wish to submit for 2011 then do not submit 2012 claims until after the 2011 claims have been submitted and paid out to you, and all 2011 card purchases have been substantiated with Fringe Benefits Management Company, a Division of WageWorks.

Eligible Over-the-Counter (OTC) drugs and medicines require a prescription from your physician to qualify for reimbursement. OTC drugs and medicines are items like: digestive aids, allergy drugs, pain relief, cold and cough medicines, sleep aids, anti-gas meds, baby rash creams, and insect bite treatments.

OTC drugs and medicines must be purchased using a prescription to be purchased with the myFBMC Card®.

Non-drug and non-medicinal OTC items like eyeglasses, wrist splints and band-aids, as well as durable medical items such as crutches and canes may be reimbursed without a prescription and may be purchased using the myFBMC Card®.

Going Green makes it easy to track claims and manage your account while reducing your carbon footprint. With Go Green you can review and print your real-time account information at any time and receive real-time updates about the following events:

- ▶ Claims are received
- ▶ Claims are paid
- ▶ Claims are partially or fully rejected
- ▶ myFBMC Card® documentation needed
- ▶ myFBMC Card® suspension warning
- ▶ myFBMC Card® suspended
- ▶ myFBMC Card® reinstated
- ▶ New Online Statement notification

To enroll, simply register or log in to www.myFBMC.com, click on the "Go Green" box under "Account Access" and you're on your way to simpler account management.

Tax\$ave, Adult Children, and Civil Union/Domestic Partners

The federal Patient Protection and Affordable Care Act (PPACA) changed the coverage eligibility of dependents to include adult children until age 26. Qualified out-of-pocket medical expenses incurred by eligible, covered adult children can be reimbursed through the **Unreimbursed Medical FSA**. Coverage applies until the end of the year in which the child turns age 26, regardless of the child's marital or student status. However, until 2014, the coverage requirement applies only if the adult child is not eligible to enroll in another employer plan.

Children Age 26 to 31 — Chapter 375, P.L. 2005, permits continued SHBP medical plan coverage for certain children until their 31st birthday. Contributions or premiums that an employee pays for coverage of an over age child cannot be made on a pre-tax basis under the Tax\$ave **Premium Option Plan**, nor can an out-of-pocket medical expense incurred by the over age child be reimbursed under the **Unreimbursed Medical FSA**, unless the child qualifies as a "tax dependent" of the employee for federal tax filing purposes under Internal Revenue Code Section 152.

See *IRS Publication 503, Child and Dependent Care Expenses* for additional information on the requirements for establishing dependent status for federal tax purposes. For more information about continued coverage for children age 26 to 31, see Fact Sheet #74, *Health Benefits Coverage of Children Until Age 31 Under Chapter 375*.

Civil Union/Domestic Partners — State employees can add a civil union partner or same-sex domestic partner to SHBP medical and dental insurance coverage. However, before payroll contributions or premiums the employee pays for a partner can be made on a pre-tax basis under the Tax\$ave **Premium Option Plan**, the civil union/domestic partner must qualify as a "tax dependent" of the employee for federal tax filing purposes under Internal Revenue Code Section 152.

Similarly, the civil union/domestic partner must qualify as the employee's tax dependent before out-of-pocket medical expenses incurred by the partner can be reimbursed under the **Unreimbursed Medical FSA**. See *IRS Publication 503, Child and Dependent Care Expenses* for additional information on the requirements for establishing dependent status for federal tax purposes.

If the civil union partner or domestic partner is not a "qualified tax dependent" of the employee, premium deductions for the partner's coverage must be made on an after-tax basis and funds in the Unreimbursed Medical FSA cannot be used for the partner's medical expenses.

Additional information about the New Jersey Civil Unions can be found in Fact Sheet #75, *Civil Unions*. Information about New Jersey Domestic Partners can be found in Fact Sheet #71, *Benefits Under the Domestic Partnership Act*. Both fact sheets are available on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

FSA Has Minimal Impact on Social Security

Payments to the **Flexible Spending Accounts** and premium payments under the **Premium Option Plan** are not subject to Social Security deductions. Therefore, some members opt not to participate in Tax\$ave because it may slightly reduce Social Security benefits. This may not be a good financial decision. For example:

- ✓ Consider an employee who retired in 1998 at age 65 and whose wages had been at the maximum wages subject to Social Security deductions. Upon retirement, this individual's monthly Social Security allowance would be \$1,343. If the same person had been contributing \$2,000 a year to a Flexible Spending Account for the last 10 years of employment, the tax savings would amount to between **\$353 and \$653 per year** (depending on the person's tax bracket).
- ✓ By contrast, the subsequent reduction in Social Security wages would produce a monthly Social Security allowance of \$1,335, a difference of only \$8 per month (\$96 per year).

Compare the two, and you can decide for yourself if this is reason enough to choose against **Saving on Taxes Now!**

NJ Division of Pensions and Benefits

Tax\$ave 2012 **Open Enrollment News**

Fall 2011

Florence J. Sheppard

ACTING DIRECTOR

Division of Pensions and Benefits

John D. Megariotis

DEPUTY DIRECTOR

Finance

Steven R. Stokley

EDITOR

Office of Client Services

Tax\$ave Open Enrollment News is published annually by the New Jersey Division of Pensions and Benefits to provide news and information to State employees regarding the New Jersey State Employees Tax Savings Program (Tax\$ave). The articles in this publication are for information purposes only and, while every attempt at accuracy is made, it cannot be guaranteed.

Access Tax\$ave forms and interactive calculation tools by visiting : www.state.nj.us/treasury/pensions/taxsave.shtml